

November 2,  
2007



## Government Affairs Bulletin

### Contact Us

[April@fsround.org](mailto:April@fsround.org)

<http://www.fsround.org>

### ***Core Beliefs of The Financial Services Roundtable:***

- . *Large, integrated financial companies finance the nation's economy.*
- . *The competitive marketplace should govern the delivery of products and services.*
  - . *Uniform national standards across state lines are critical.*
  - . *The effective use of technology is essential.*

### Legislative:

- **Hearing: Bankruptcy**
- **AMT Patch Moves Forward**
- **Hearing: Ways and Means Committee on Retirement Plan Fee Disclosures**
- **Roundtable Provides Wildfire Response Information to Congress**
- **U.S.-Peru Free Trade Agreement Headed to the Floor of the House**

### Regulatory:

- **Roundtable Comments to be Filed on the OTS Unfair and Deceptive Practices**
- **Agencies Approve Final Identity Theft Red Flags Rule**
- **Roundtable Advancements On Regulatory Relief Issues**

### Housing Policy Council:

- **Hearing: House Financial Services Committee on HOPE NOW**
- **HOPE NOW Alliance Meets with Treasury Secretary Henry Paulson and HUD Secretary Alphonso Jackson**
- **HPC Executive Council Meets with Treasury and Federal Reserve Officials**

### Identity Theft Assistance Center (ITAC):

- **ITAC "Radio News Tour" Results**

### Other:

- **Agents for Change**
- **Beijing Trip: Engage China**

[To view the Roundtable calendar, click here.](#)

---

## Legislative News

### **Hearing: Bankruptcy**

A subcommittee of the House Judiciary Committee held a hearing on a bill to reform the bankruptcy code by allowing

judges to alter the terms (loan balance, interest rate, and remaining term) of a mortgage for a principal residence. Following the hearing, Chairman John Conyers (D-MI) indicated that he would like to hold a mark-up on the bankruptcy reform bill next week. Proponents of the bill testified that lenders are not helping borrowers, while opponents testified that the bill will undermine the housing system and increase the cost of mortgages for all borrowers. The Roundtable, and a large coalition of trade groups, including the ABA, the Chamber of Commerce, CBA, ICBA, MBA, NAHB, and ACB, oppose the bill. The bill could be marked-up by the House Judiciary Committee next week. Similar bills have been introduced in the Senate.

For more information, please contact Scott Talbott, [Scott@fsround.org](mailto:Scott@fsround.org).

### **AMT Patch Moves Forward**

The Ways & Means Committee reported out the "Temporary Tax Relief Act of 2007" (H.R. 3996), by a partisan vote of 22-13.

The bill will provide a one-year fix for AMT and a one-year extension of expiring tax provisions (deduction for state and local taxes, deduction of qualified tuition expenses, R&D, and the New Markets Tax Credit). It also extends for 7 years the deductibility of mortgage insurance premiums. The Roundtable supports these provisions.

Also included in the bill is a House-passed bill, H.R. 3648, that would permanently exclude from income debt forgiven as a result of a mortgage foreclosure or renegotiation. The Roundtable supports this provision.

The bill is fully offset with the following pay-for's. The Roundtable opposes using pay-for's to cover the effect of the AMT fix and the extenders.

Requiring private investment fund managers to pay taxes on their share of their fund's profits at ordinary income tax rates, rather than the current 15 percent capital gains tax rates.

Preventing hedge fund managers from deferring taxes on compensation through the use of offshore shelters was included and would raise about \$23.9 billion over 10 years.

Require cost basis reporting for securities, and a provision that would raise \$1.34 billion by allowing pension plans, universities, and other tax-exempt entities to directly invest in hedge funds without incurring unrelated business income tax.

The Roundtable believes bill should include extension of "Subpart F," which expires at the end of next year.

The Text of JCX-106-07, a Description Of The Chairman's Amendment In The Nature Of A Substitute Of H.R. 3996, The "Temporary Tax Relief Act Of 2007" is available at <http://www.house.gov/jct/x-106-07.pdf>.

For more information, please contact Scott Talbott, [Scott@fsround.org](mailto:Scott@fsround.org).

### **Hearing: Ways and Means Committee on Retirement Plan Fee Disclosures**

The House Ways and Means Committee held a hearing to look into the adequacy of retirement plan fee disclosures. This hearing follows other hearings in October on 401(k) fees in other Committees. The Roundtable joined other associations in urging Congress to wait for Department of Labor (DOL) to finish their participant and plan sponsor disclosure efforts prior to legislating new fee disclosures. The Roundtable and others have been engaged in the DOL's efforts.

Members of the Committee have differing views on whether Congress needs to legislate at this time. A witness from DOL updated the Committee members on their disclosure efforts indicating that two of three proceedings currently underway are nearing completion. Since time is running out this year, it may be difficult to advance new disclosure legislation in the immediate future.

For more information, please contact Paul Begey, [Paulb@fsround.org](mailto:Paulb@fsround.org).

### **Roundtable Provides Wildfire Response Information to Congress**

The Roundtable has informed the California Congressional Delegation of efforts being made by our member companies to assist those affected by the wildfires in Southern California. Information provided to the delegation included a consolidated information sheet listing the companies involved, highlighting their work, and providing contact information.

Roundtable member companies have been providing aid in various ways including mobile response units, increasing the number of claims offices in the Southern California area, 24-hour hotlines, and special relief packages among other efforts. Participating companies/subsidiaries include: ACE INA Holdings, Allstate, Allied, American Express, Assurant, Balboa Insurance Group, Farmers Insurance Group, JPMorgan Chase, Nationwide, Safeco, State Farm, Toyota, USAA, and U.S. Bank. The list of Roundtable member company activities is available at the following link: [www.fsround.org/hyperlink/RoundtableCompanyEfforts.pdf](http://www.fsround.org/hyperlink/RoundtableCompanyEfforts.pdf).

For more information, please contact Scott Talbott, [Scott@fsround.org](mailto:Scott@fsround.org).

### **U.S.-Peru Free Trade Agreement Headed to the Floor of the House**

The House Ways and Means Committee approved the "United States-Peru Trade Promotion Agreement Implementation Act" (H.R. 3688). The bill was reported favorably on a vote of 39-0. The legislation is expected to be voted on by the full House next week.

The Roundtable sent a letter to Committee members supporting the U.S.-Peru Free Trade Agreement (FTA), along with the South Korea, Columbia and Panama FTAs. Ways and Means Committee Chairman Rangel has indicated that the other FTA's will have to wait until next year.

For more information, please contact Paul Begey, [Paulb@fsround.org](mailto:Paulb@fsround.org).

---

## **Regulatory**

### **Roundtable Comments to be Filed on the OTS Unfair and Deceptive Practices**

The Roundtable plans to file on Monday, November 5, 2007, comments to the Office of Thrift Supervision (OTS) on its Advanced Notice of Proposed Rulemaking regarding unfair and deceptive practices. In our comments, the Roundtable emphasizes that the OTS should move to a principles-based approach to regulation. The Roundtable urges the OTS not to extend any rulemaking on unfair or deceptive acts or practices to savings association holding companies and subsidiaries of such holding companies and savings associations that are not currently covered under existing laws. The comments also discuss the Roundtable's position on qualifying specific acts as unfair and deceptive such as: arbitration of credit card disputes, garnishment of federal benefit funds, payment hierarch in credit card lending, and discretionary pricing in residential mortgage lending. Comments will be posted on the Roundtable's website, [www.fsround.org](http://www.fsround.org), when filed on Monday, November 5th.

For more information, please contact Melissa Netram, [Melissa@fsround.org](mailto:Melissa@fsround.org).

### **Agencies Approve Final Identity Theft Red Flags Rule**

As previously reported, the federal financial institution regulatory agencies and the Federal Trade Commission approved the final rules on identity theft "red flags" and address discrepancies, as required by sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003. The final rule:

- 1) requires financial institutions to develop and implement written identity theft prevention programs that includes identification, detection, and resolution of "red flags" and periodic updates in the program to reflect changes in risk
- 2) requires credit and debit card issuers to assess the validity of a request for a change of address when they receive a change of address request followed by a request for a new or additional card and
- 3) lists certain procedures that a user of a consumer report must utilize upon receiving notice of the address discrepancy by the credit reporting agency

The final rule also includes a supplement to these guidelines that lists 26 possible "red flags" as illustrative examples of identity theft.

During the rulemaking process, the Roundtable and BITS urged the financial agencies to view these "red flags" as examples only so that during an examination process, financial institutions would not have to explain to examiners why they chose to apply certain "red flags" and not others. As evidenced by this final rule, the agencies agreed with our prior comments.

The final rule can be found at: <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20071031a1.pdf>.

BITS organized a conference call with federal regulators to discuss the final rule and how financial institutions must comply with the rule. The conference call will be on November 16<sup>th</sup> at 2:00.

For more information, please contact Melissa Netram, [Melissa@fsround.org](mailto:Melissa@fsround.org).

### **Roundtable Advancements On Regulatory Relief Issues**

I. The House of Representatives is poised to vote on the "Attorney-Client Protection Act of 2007" (H.R. 3013). Earlier this week, the Roundtable decided to accept the current proposed language offered by the House Judiciary Committee concerning the federal regulators access to attorney-client privilege information and attorney work product in an effort to secure passage of H.R. 3013 before Congress adjourns for the Thanksgiving recess and bolster the industry's chances of passing the companion legislation, S. 186, in the Senate. We recently confirmed with staff that H.R. 3013 could be voted on by the full House anytime over the next couple of weeks. The Roundtable supports, notwithstanding some specific concerns and recommendations for improvements to relevant sections, this legislation because it goes a long way to restore judicial oversight to the important protections of attorney-client privilege, attorney-work product doctrine, and employee rights while preserving prosecutorial discretion necessary to fight corporate criminal behavior.

Next steps will include the Roundtable signing on to a coalition letter which will give general support for H.R. 3013. The coalition is a diverse group of business, legal, and civil rights organizations. However, we will send a separate Roundtable letter to the entire House of Representatives supporting H.R. 3013. The bill is moving in the direction of providing protection against federal agency abuse, and the process moving forward. The Roundtable will express serious concerns about the relevant sections that we believe could be improved to provide greater certainty to industry that federal regulators can not access attorney-client protected information and our desire to work with Congress to make these improvements as H.R. 3013 advances through the legislative process. The Roundtable will also offer language for the committee's legislative report to address the industry's concerns on the legislation providing the necessary protections from federal government agency abuse.

II. Per a request from Senate Banking Committee members Mike Crapo (R-ID), Tim Johnson (D-SD), Chuck Hagel (R-NE), and John Tester (D-MT), the Roundtable will send a letter outlining our top three regulatory burden reduction priorities: 1) Restructuring the current Bank Secrecy Act/Anti-Money Laundering (BSA/AML) reporting system, 2) The creation of an an Optional Federal Charter through the National Insurance Act of 2007; and 3) Support of the Securities and Exchange Commission's temporary rule regarding Investment Advisers parity. Moreover, the Roundtable will continue to pursue a legislative/regulatory strategy on these key industry issues.

III. The Roundtable will be hosting a conference call to discuss our specific concerns and recommendations to improve BSA/AML reporting through legislation, regulations or guidance. We intend to propose to Congress legislative proposals based on our report to enhance competitiveness. Please let us know if you are interested in joining our BSA/AML working group.

For more information, please contact Irving Daniels, [Irving@fsround.org](mailto:Irving@fsround.org).

---

### **Housing Policy Council**

#### **Hearing: House Financial Services Committee on HOPE NOW**

The House Financial Services Committee held a hearing on Friday, November 2 on the progress by the Administration and other efforts to coordinate and enhance mortgage foreclosure prevention. Treasury Under Secretary Robert Steel and FHA Commissioner Brian Montgomery testified on behalf of the Administration. Also testifying before Chairman Frank and the Committee were Mr. Bill Longbrake on behalf of HOPE NOW; Mr. Sandy Samuels of Countrywide; Ken Wade CEO of NeighborWorks America and Bruce Marks of Neighborhood Assistance Corporation (NACA). Bill Longbrake testified on the goals of the HOPE NOW Alliance to increase outreach to at-risk borrowers and to improve coordination between non-profit counselors and servicers to develop positive solutions for borrowers. Sandy Samuels of Countrywide testified on their efforts to assist their borrowers in difficulty and on their agreement with NACA to modify loans for borrowers counseled by NACA.

For more information, please contact Paul Leonard, [Paul@fsround.org](mailto:Paul@fsround.org).

### **HOPE NOW Alliance Meets with Treasury Secretary Henry Paulson and HUD Secretary Alphonso Jackson**

Members of the HOPE NOW Alliance met with Secretary of the Treasury Henry Paulson and Housing Secretary Alphonso Jackson along with top Treasury and Housing Officials to update them HOPE NOW's efforts to reach struggling homeowners. The Alliance announced during the meeting the launch of a direct mail campaign to help avoid foreclosures. The first letter will go to over 250,000 at-risk borrowers and provide a phone number to call for help. The letters will begin to go out on November 19<sup>th</sup>. For more information on HOPE NOW, please visit [www.hopenow.com](http://www.hopenow.com).

For more information, please contact Katie Stevens, [Katie@fsround.org](mailto:Katie@fsround.org).

### **HPC Executive Council Meets with Treasury and Federal Reserve Officials**

The Housing Policy Executive Council held its quarterly meeting this week and discussed HOPE NOW, Bankruptcy Reform, GSEs and Non-Prime lending. Executive Council members also met with Assistant Secretary David Nason of Treasury and Governor Randall Kroszner of the Federal Reserve Board.

For more information, please contact Paul Leonard, [Paul@fsround.org](mailto:Paul@fsround.org).

---

### **Identity Theft Assistance Center (ITAC)**

#### **ITAC "Radio News Tour" Results**

On October 5, Anne Wallace did a "radio news tour" across America to discuss identity theft trends and prevention. She spoke to ten stations, engaging in two live interviews and nine taped interviews, reaching a potential audience of 1.5 million listeners. Some of the locations included Boston, San Francisco and Denver.

---

### **Other**



"Simplifying Regulation for Agents and Brokers..."

#### **Agents for Change Continues to Grow**

Members of Agents for Change have attended 140 meetings with members of Congress and their staff. Of these, 24 have been in-district meetings.



On October 29, Agents for Change hosted a breakfast thanking Rep. Melissa Bean (D-IL) for introducing the "National Insurance Act of 2007" (H.R. 3200). The breakfast, held at the Chicago Marriott Schaumburg, included 70 insurance

producers and 10 executives. Above are two pictures highlighting the event.

The next Agents for Change board meeting will be held on December 4, 2007. Please let us know if one or more of your producers are interested in a leadership role within Agents for Change.

Membership in Agents for Change has grown to include more than 4,500 producers across all lines of insurance in 50 states, the District of Columbia, Puerto Rico, and Guam. We continue to recruit producers at trade shows, by word of mouth, via the press and our website, and through member companies.

Visit the Agents for Change website – [www.agents4change.net](http://www.agents4change.net) – for additional information, updates, background material, FAQ's, and more. To receive periodic e-mail updates from Agents for Change please contact Peter Ludgin at [Peter@agents4change.net](mailto:Peter@agents4change.net) or 202-589-1929.

### Beijing Trip: Engage China

As part of a coalition of financial services trades called Engage China, the Roundtable is going to Beijing from November 26 - November 30. While in Beijing, we will meet with Chinese officials and urge that they strengthen economic engagement with China, open and modernize China's capital markets, and support the Strategic Economic Dialogue process. On Wednesday, November 28, a meeting will be held with Roundtable executives in Beijing to gather input that will strengthen our gatherings with the Chinese regulators.

For more information, please contact Scott Talbott, [Scott@fsround.org](mailto:Scott@fsround.org).

---

### Roundtable Calendar

Date	What	Where	Contact
November 7, 2007	Competitiveness Study Rollout	National Press Club, Washington, D.C.	Connie Nelson, <a href="mailto:Connie@fsround.org">Connie@fsround.org</a>
November 13, 2007	American Enterprise Institute event on the Roundtable's Competitiveness Study	AEI, Washington, D.C.	Melissa Netram, <a href="mailto:Melissa@fsround.org">Melissa@fsround.org</a>
November 16, 2007	BITS conference call with Federal Regulators on Identity Theft Red Flags Rule	The Financial Services Roundtable, Washington, D.C.	Melissa Netram, <a href="mailto:Melissa@fsround.org">Melissa@fsround.org</a>
December 4, 2007	Agents for Change Board Meeting	The Financial Services Roundtable, Washington D.C.	Peter Ludgin, <a href="mailto:Peter@agents4change.net">Peter@agents4change.net</a>

***The Mission of The Financial Services Roundtable:***

*To be the premier executive forum of the financial services industry.*

*To provide powerful legislative and regulatory advocacy.*

*To enhance the industry's reputation.*

*Led by BITS, to promote best practices and a strong infrastructure in technology.*

**\*\*If you wish to be removed from this email list, please reply to this message with "UNSUBSCRIBE" as the subject line.**